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RUEHJI/AMCONSUL JEDDAH PRIORITY 1495
RUEHJM/AMCONSUL JERUSALEM PRIORITY 2265
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UNCLAS TEL AVIV 001398

STATE FOR NEA, NEA/IPA, NEA/PPD

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Israel Radio reported that, in his press briefing yesterday, State Department Spokesman Ian Kelly did not rule out compromise with Israel regarding settlement construction. The media reported that DM Ehud Barak will meet in New York today with U.S. Special Envoy to the Middle East George Mitchell in an effort to agree on such a

compromise. HaQaretz reported that the meeting takes place in light of a recent disagreement among the "forum of six" ministers over this issue. HaQaretz quoted a diplomatic source in Jerusalem as saying yesterday that a "temporary freeze" of construction in the settlements was met with objections by three of the six senior ministers in the forum -- Avigdor Lieberman, Benny Begin, and Moshe Ya'alon -- who argued that such a freeze will create a precedent and may become permanent. Another argument put forth was that Israel must request guarantees from the U.S., so that it is not surprised by American initiatives without earlie consultation. Barak supported a formula accordin to which Israel would freeze settlement constnuction completely, except for projects that have already started, and would require U.S. guarantees o the future of the peace process. HaQaretz repoted that it is unclear what the positions of PM Benjamin Netanyahu and Dan Meridor were.

Accordin to the three ministers opposing Barak, Israel mus not propose a "temporary freeze" without a commitment for similar and equal concessions by Arab states and the Palestinian Authority, and as part of a broader package deal. Another argument put forth was that Israel must request guarantees from the U.S., so that it is not surprised by American initiatives without earlier consultation. Nonetheless, HaQaretz quoted Deputy FM Danny Ayalon as saying yesterday that "Israel and the U.S. will not enter a confrontation over the settlements. The shared interests are too strong and the joint aim is to work together and avoid a dead end." During the meeting with Mitchell, Barak intends to present a more watered-down proposal, which will include a declared wish to resolve the settlements issue during negotiations with the Palestinian Authority over a final settlement agreement. Moreover, the proposal will be to limit new construction to the addition of levels to existing structures in the settlements, except for projects that have already begun. HaQaretz reported that Netanyahu has dispatched his special adviser, Yitzhak Molcho, to the meeting between Barak and Mitchell. Molcho met Mitchell last week but the formula he presented to the U.S. envoy was rejected. The failure of that meeting resulted in the cancelation of a planned meeting between the PM and Mitchell in Paris last week.

In a lead-story interview with The Jerusalem Post, right-leaning Knesset Member Otniel Schneller (Kadima) lashed out yesterday against the U.S. demand for a settlement freeze, labeling it QextortionQ and warning it could set back Israeli readiness for peace. Schneller assailed Obama administration officials as holding beliefs shaped by Qfar-LeftQ opinions outside of the Israeli consensus. Schneller was quoted as saying in an interview with Maariv that President Obama is inducing a rift in Israel.

Yediot quoted a source in the U.S. administration as saying that even Israeli readiness to freeze construction in settlements for a limited period -- three to six months, as reported in Yediot yesterday -- is unacceptable.

HaQaretz quoted Barak as saying, prior to his departure yesterday, that the Qintimate and direct dialogue with the U.S. continues and its purpose is to advance regional order. Within this framework it is possible to have effective and practical negotiations with the Palestinians, and within this framework it is also possible to find an appropriate solution to the issue of settlement construction."

Major media reported that sources close to FM Avigdor Lieberman went on the offensive yesterday, charging that French President Nicolas Sarkozy is interfering in Israel's internal affairs. This followed a report on Channel 2-TV that the French leader had urged PM Netanyahu to replace Lieberman with Kadima head Tzipi Livni.

Israel Radio quoted the Gulf newspaper Al-Khalij as saying that that the U.S. intends to convene a Mideast conference in Washington in September.

Maariv reported that a senior source in the Defense Ministry told the newspaper yesterday that it the High Court of Justice approves the evacuation agreement for the outpost of Migron, it will be the model for the evacuation of the 22 outposts that Israel has pledge to vacate. Media reported that the residents of Migron are opposed to the compromise. Leading media quoted DM Ehud BarakQs settlement affairs adviser Eytan Broshi as saying that the 1,450 housing units planned for the settlement of Adam require further approval.

Leading media reported that yesterday Iran recalled its ambassador to Azerbaijan for consultations, a day after President Shimon Peres visited the central Asian country. Media reported that, two weeks ago, the Iranian Chief of Staff visited Azerbaijan in an effort to forestall the visit, informing Baku in no uncertain terms that Iranian President Mahmoud Ahmadinejad wanted it called off. Iran also pressured Azerbaijan to cancel the visit via other diplomatic channels. However, the Azeris flatly refused. Today, Peres will be in Kazakhstan for a meeting with that country's President, Nursultan Nazarbayev.

The Jerusalem Post reported that Israel rejected as "scandalous" a highly critical report released by the International Committee of the Red Cross yesterday marking six months since Operation Cast Lead, saying it was inconceivable that the document would chastise Israel for the situation in Gaza while ignoring the continued detention of IDF soldier Gilad Shalit or the "intransigent belligerence" of Hamas. According to the report, Gazans are "living in desperation" due to their "daily struggle for existence."

The Jerusalem Post cited a report published yesterday by Gisha: Legal Center for Freedom of Movement, which charges that Israel has come up with a new way to make it difficult for university students from Gaza to study abroad and at the same time embroiled foreign diplomats in activities that violate international law. According to the report, titled QObstacle Course: Students Denied Exit from Gaza,Q only students who win academic scholarships may enter Israel to reach university destinations abroad. Anyone who meets this requirement must also pass a rigorous test to prove he does not prove a security threat to Israel.

The media speculated that the international conference being held in Prague this week is the very last attempt to restore to Jewish individuals and institutions artwork stolen by the Nazis.

All media reported on the sentencing by a New York court of fraudster Bernard Madoff to 150 yearsQ imprisonment and carried testimonies by some of his Israeli and Jewish victims.

Mideast:

Block Quotes:

I. QWhy Is He Pressing?"

Correspondent Shmuel Rosner wrote in the popular, pluralist Maariv (6/30): QTwo issues that are truly unrelated have become confused in the course of the ongoing debate over the continued pressure being applied by the Obama administration to stop construction in the settlements. The first issue is the question of the Qagreement that either existed or did not exist between Israel and the United States. The second issue is the substantive debate about the justice of the AmericansQ demands. Both are important questions, but they are not the most important ones. The following question is more important than either of them: Why is Obama doing this in the first place? Why is he pressing, why now, why overtly, why uncompromisingly?.... It is more likely that the U.S. administration is operating on the basis of a well-designed plan and not on the basis of a QmistakeQ that stems either from a misunderstanding or professional indiscretion. This is a plan that poses a special challenge to Israel because its target audience is not in Jerusalem but in Arab and European capitals. Obama is pressing now in order to declare publicly that the formerly close relations between Washington and Jerusalem have grown weaker. That is a move that many members of his administration perceive as being a crucial step on the way to boosting AmericaQs clout in the rest of the world. Israel is actually a tool that is being used by Obama to rehabilitate the United StatesQ standing. That isnQt pleasant, but it doesnQt have to be awful either, provided two basic things are retained. The first is that Israel enjoy, after the fact, the anticipated increase in American clout. In other words, if ObamaQs plan is successful, he needs to exercise the options in a way that will also be good for Israel (for example, by using AmericaQs

increased clout to persuade Arab states to help more actively bring about an end of conflict). The second thing is that a mechanism be found to prevent too much from being read into the deterioration of relations by decision-makers in the Arab world. Such a situation, in which the Arab world comes to believe that Israel no longer enjoys its quondam American support will create the temptation to go to war, and not peace.

II. "What a Settlement Freeze Would Do"

The conservative, independent Jerusalem Post editorialized (6/30): How can Netanyahu garner more domestic support to move vigorously against illegal outposts when Obama is essentially saying that in his eyes, Ma'aleh Adumim is an illegal outpost. It's hard to see.... Were he to piggy-back on the Israeli consensus, Obama could bring us closer to the two-state solution George W. Bush envisioned. To do so, however, he would need to embrace the former president's commitments on settlement blocs and his administration's understanding regarding settlement growth. Remarkably, these now dovetail with the position taken by a sitting Likud premier. Netanyahu has also taken extraordinary and potentially risky steps to improve the negotiating atmosphere -- a dramatic reduction in preventative IDF operations and the lifting of virtually all internal checkpoints in the West Bank. Israel is so disinterested in a confrontation with the popular American President that Obama may feel he can insist upon an across-the-board and unconditional settlement freeze. The danger, if that were to happen, is that support for a deal among Israelis, predicated on Netanyahu's articulation of Bush's vision, would decline. And the Palestinians would become even more intransigent.

III. "Dealing with Obama"

Former Ambassador to the U.S., former Minister of Foreign Affairs, and former Minister of Defense Moshe Arens wrote in the independent, left-leaning Ha'aretz (6/30): Netanyahu made a serious error of judgment in trying to parry Obama's opening serve by explaining the need for additional settlement construction due to the "natural growth" of the Jewish population there. Expecting heartfelt sentiments from your opponent in this game is not going to get us anywhere. Obama is playing hardball. Succumbing to the pressure that is being applied on the settlement issue will only result in additional pressure on other issues, and before long Israel's position on matters of principle and substance will begin to crumble. This is not going to be easy, but Israel's staunch supporters in the U.S. will stand by it. It will be a test for the American Jewish leadership -- and for the people of Israel.

IV. "The American Mess"

Columnist Ariel Cahana wrote in the nationalist, Orthodox Makor Rishon-Hatzofe (6/30): A bit surprisingly, not to say amazingly, orderly America cannot find or recognize agreements between the previous American administration and the previous Israeli government regarding the continuation of construction in the settlements.... It is not that [Hillary] Clinton, Obama, and [Rahm] Emanuel cannot find the understandings -- they do not want to find them. American orderliness has suddenly waned; the careful change of administration of which U.S. President Barack Obama was so proud has abruptly evaporated. What is strange is that those malfunctions occurred regarding the settlements while many other topics kept the world busy. It is actually on the Israeli side that regime continuity is real.... The Migron agreement [on outpost evacuation] has been making the rounds of the corridors for months; it is a fluke that it was brought to the High Court of Justice this morning -- unless the political echelon had no choice to do so despite its uneasiness about it. The regime must keep its commitments, even if they were given by another government in other times -- even if this represents in fact a finger into Obama's eye. This is how an orderly state works.

V. Welcome and Overdue

Ha'aretz editorialized (6/30): Once more it is clear that Israeli decision makers understand the language of force and threats better than they do the language of justice and logic. Following threats and protests from the international community, with the U.S. administration at the lead, Jerusalem Mayor Nir Barkat initiated a

plan for legalizing much of the unauthorized Palestinian construction in the city. At the same time the municipality is expected to limit the extent of the house demolitions in Arab neighborhoods..... The state that is demanding that settlers who choose to live outside its borders, including those who took over private properties, should be allowed to continue to build, must show some sensitivity to the hardship of 270,000 residents living in the sovereign territory of its capital.

CUNNINGHAM